

# Study of Customer Satisfaction: A Comparison of Public and Private Banks

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## Abstract

The present study is a modest attempt to understand the factors influencing customer satisfaction in both private and public banks in India confining the research to people of Punjab. Further, the attempt has been made to compare the factors influencing satisfaction level of customer's of public and private banks. The objective of study is to get an insight view of factors affecting customer's satisfaction level which he thrives or want to thrive from his Bank. The modern day customer in India is a young, energetic and techno savvy. So the driving force behind this study was to derive out factors that are important for today's customer satisfaction. The results of this research will be helpful to banking sector, in order to devise a better strategy to satisfy their existing customers and also to develop new schemes and promotions by understanding the demands and requirements of probable customers in the market. The analysis revealed that public sector banks though bit behind in technology compare to private banks have more customer faith in their style of banking. Private Banks on the other hand satisfies customers by giving better technology and more options of investments.

## Keywords:

Customer Satisfaction, Public Banks, Private Banks

## Introduction

Until the late 80s Indian Banking was primarily held by public sector banks. Government was shielding these banks from all type of competition, both from internal and external environment. The concept of customer satisfaction was only limited to books and journals. Since economic reform banking has undergone drastic changes, facing intense competition in the market (Chandhari and Halbrook, 2002). With the entry of new generation tech-savvy private banks and the expansion of operations of foreign banks, the banking sector has become too competitive to ignore "customer satisfaction". Bedi (2010) mentioned that today's customer is not going to settle on anything less than his/her expectations. Therefore, it is evident that banks must aware themselves about what customer wants and what not. In this era of mature and intense competitive pressure, it is imperative that banks maintain a loyal customer base. Increasing competition from both inside and outside the country is leading to compression of profits and forcing banks to work efficiently only with the available resources (Khatari, P. and Ahuja, Y., 2004).

New marketing concepts and strategies (Ennwe et al., 1993) are paying greater attention to indentify customer's needs and expectations (Morgan, 1989) and offering high level of service quality (Lewis, 1991; 1993; Thwaities and vere,

1995). The customer demand for comfort and security viz a viz their banking operations have become relentless. The Private Banks have made technology as their tool to capture market whereas the public sector banks encash their relationship banking and trust of customer. Both sectors are becoming very aggressive in capturing more and more customer base. But the biggest problem faced by banks is the cost of capturing new customer is far more than cost of retaining existing customer. Therefore a satisfied customer is an Asset for the Bank. And the purpose of current study is to understand as to what all factors make a customer a satisfied customer. Both private and public banks have been considered separately in order to get better and clear understanding.

### Review of literature

Hua, L. Y. (2012) explored the antecedents of post recovery satisfaction within the china's Big-4 commercial banks. The study aimed at investigating how the customer expectations, their perception of recovery justice and recovery quality affect customer satisfaction. Survey was conducted with the help of a questionnaire. The data was collected from 300 respondents from Changsha city. Factor Analysis was applied to test reliability / validity of data and the structural equation modeling was used to estimate hypothesized relationships among the latent constructs. The results found were consistent with most precious researchers. It was achieved that recovery expectation negatively influenced recovery quality perceptions, expectancy disconfirmation and recovery quality perceptions had positive effect on recovery satisfaction. To conclude, the study provided valuable findings in relation to participants' perceptions on recovery justice and quality.

Virk N. & Mahal K.P (2012) gouged the comparative analysis of level of customer satisfaction towards services provided by public and private sector Banks. A questionnaire based primary survey is being conducted in Chandigarh city with sample of 160 customers's selected using convenient sampling method. Independent sample T test has been applied for doing comparison. Regression results shows that branch facility is positively correlated with teller services, relationship with managers, Mutual fund services and telephone enquiry thus contributing to customer satisfaction. The study concluded that private sector banks are more preferred by majority of customers as they emphasize more upon buildings with their clients and are better equipped with modern infrastructure as compared to public sector banks.

Jayant Kumar H.P and Prajakta H. (2012) examined the service quality aspects of public and private banks in north Gujarat region. Customer expectations and perceptions were measured and analyzed from current research. 300 customers of public and private banks were surveyed through questioner with 22 items on it. Independent T Test was carried out to compare expectations of both the group of customers. Multiple regressions was applied to understand the contributions of independent variables like Age, Gender, Occupations, Annual Incomes, Education in explaining expectations and perception. Two Regression models were developed. The result explained the in regression model for expectations, occupations and education were found to be the most explanatory variables among all and expectations was highly dependent on occupation and education.

Kumbhar, M. V. (2011) studied the customers' perception in

internet banking services provided by public and private sector banks. The authors examined the relationship between the demographics and customers satisfactions in internet banking, relationship between service quality. Kruskal Wallis Chi square test and Mann Whitney U test was applied for testing the set hypothesis. The study reveals that demographics of customers are one of the most important factors which influence internet banking services. Highly educated employees, businessman and those who belong to higher income groups and of younger group are using this service. However, remaining are not using this service. The authors suggested that there is need to simplify the internet banking services and encourage to lower literate peoples as well as other people to use internet banking services.

Taking a direction from above mentioned studies, effort has been made to understand the major factors influencing customers' satisfaction on public and private banks and also to compare the factors in order to find out, where public banks have competitive edge and where they need to improve themselves in order to retain the existing customers and also acquire new customers.

### Research Methodology

The present study is mainly based on primary survey being conducted with the help of a pre-tested, well structured questionnaire which is being personally administered to 200 customers, 100 customers each from public and private banks. Two public banks considered for the study include Punjab and Sind Bank and Union bank of India and the private banks include HDFC bank and IDBI bank. Data is being collected from the customers of these four respective banks from three major cities of Punjab that include Amritsar, Jalandhar and Ludhiana. 26 variables have been considered in the study for analyzing the level of satisfaction of the respondents on a five point scale ranging from Strongly Agree to Strongly Disagree. Convenience Sampling is used to collect the data. Weighted Average Scores has been calculated to identify the most and least influencing variables affecting level of satisfaction of the customers for both public and private sector banks separately. However, Independent Sample T- test is applied to the data to identify if there exists any significant difference in the variables affecting the satisfaction level of the private and public bank customers. Due to time constraints the sample of respondents was just 200, further study can be conducted by taking larger sample.

#### A. Identifying the most and least influencing variables regarding services availed from Public Banks

This section deals with identifying the variables that most and least influence customers towards services availed from public banks. Twenty six variables were retrieved from the review of literature and the responses were sought on a five point likert scale ranging from Strongly Agree to Strongly Disagree. To analyze these responses, weights were assigned to these responses (5 for Strongly Agree, 4 for Agree, 3 for Indifferent, 2 for Disagree and 1 for Strongly Disagree). A description of these variables in terms of frequencies, percentages, values, weighted average scores and standard deviation is given in Table1. However, ranks have been assigned according to the importance of each variable to the respondents as per the weighted average score of each variable. The responses of the individual investors have been interpreted according to the following criteria:

- SA/A if WAS < 3.25
- Indifferent if 2.25 < WAS > 3.25
- DA/SDA if WAS > 2.25

The customers agree to clear terms & conditions as highest influencing variable and availability of modern equipments as the least influencing variable as regards their expectation towards services availed from public banks.

**Table 1: Most and least influencing (Sorted Rank Wise) variables regarding services availed from Public Banks**

Variables	MImp (Freq.)	Imp (Freq.)	ID (Freq.)	Unimp (Freq.)	Limp (Freq.)	WAS	Standard Deviation	Rank
Clear Terms & conditions	48	45	6	0	1	4.39	0.695	1
Provide services for best of my interest.	49	40	9	1	1	4.35	0.77	2
Delivering services as per promise.	52	28	19	1	0	4.31	0.813	3
Feeling Secure while dealing with bank	40	46	12	1	1	4.23	0.777	4
Polite and courteous staff	50	23	23	2	2	4.17	0.985	5
Handling Transactions accurately	41	30	21	8	0	4.04	0.974	6
Easy availability of ATM Machines	42	32	10	9	7	3.93	1.233	7
Convenient location of premises	35	37	11	11	6	3.84	1.195	8
One stop shop for all my financial needs	27	37	27	8	1	3.81	0.961	9
Individual attention provided by bank	25	37	29	8	1	3.77	0.952	10
Bank provide services as per my need	32	30	24	11	3	3.77	1.109	11
Insist on error free record.	22	39	29	8	2	3.71	0.967	12
Show sincere interest in solving my problems.	36	28	18	7	11	3.71	1.32	13
Prompt Service	17	19	37	18	9	3.17	1.181	14
Providing most competitive rate of interest on loans & deposits	14	36	30	11	9	3.35	1.132	15
Interior of bank have neat & convenient environment.	22	16	26	0	36	3.24	1.164	16
Staff well equipped with knowledge on required services	14	22	31	14	19	2.98	1.303	17
Convenient working hours	12	18	34	21	15	2.91	1.215	18
Availability of modern equipments.	1	25	39	27	8	2.84	0.929	19
Feel good being associated with bank	9	10	39	30	12	2.74	1.088	20
Looks attractive from outside	0	19	34	36	11	2.61	0.92	21
Internet banking & Tele banking facilities are available	0	17	35	39	9	2.6	0.876	22
Provide customized services	8	13	6	26	47	2.09	1.334	23
Provide service at right time.	8	13	6	26	47	2.09	1.334	24
Understands my needs and make me feel important	0	0	21	49	30	1.91	0.712	25
Updating me with latest schemes and offers	0	1	7	36	56	1.53	0.674	26

The table above shows that the customers have been found agreeing 14 variables as having greatest influence i.e. Feeling Secure while dealing with bank, Clear Terms & conditions, Bank provide services as per my need, Insist on error free record, One stop shop for all my financial needs, Individual attention provided by bank, Providing most competitive rate of interest on loans & deposits, Convenient location of premises, Easy availability of ATM Machines, Delivering services as per promise, Provide services for best of my interest., Handling Transactions accurately, Show sincere interest in solving my problems, Polite and courteous staff. 8 Variables having an indifferent influence include Looks attractive from outside, Convenient working hours, Internet banking & Tele banking facilities are available, Interior of bank have neat & convenient environment, Feel good being associated

with bank, Prompt Service, Staff well equipped with knowledge on required services, Availability of modern equipments. 4 variables have been found as least influencing i.e. updating me with latest schemes and offers, understands my needs and make me feel important, Provide service at right time, Provide customized services.

**B. Identifying the most and least influencing variables regarding services availed from Private Banks**

This section deals with identifying the variables that most and least influence the customers towards services availed from private banks. As done in Part –A, weights have been allocated to the responses ranging from Strongly Agree to Strongly Disagree. The responses of the individual investors have been interpreted

according to the similar criteria.

The customers agree to Availability of modern equipments as

highest influencing variable and Delivering services as per promise as the least influencing variable as regards their expectation towards services availed from private banks.

**Table 2: Most and least influencing variables (Sorted by Rank) regarding services availed from Private Banks**

Variables	MImp (Freq.)	Imp (Freq.)	ID (Freq.)	Unimp (Freq.)	Limp (Freq.)	WAS	Standard Deviation	Rank
Availability of modern equipments.	67	33	0	0	0	4.67	0.473	1
One stop shop for all my financial needs	62	36	2	0	0	4.6	0.532	2
Convenient location of premises	62	35	3	0	0	4.59	0.552	3
Updating me with latest schemes and offers	51	49	0	0	0	4.59	0.494	4
Feeling Secure while dealing with bank	60	38	2	0	0	4.58	0.535	5
Internet banking & Tele banking facilities are available	60	37	3	0	0	4.57	0.555	6
Providing most competitive rate of interest on loans & deposits	60	37	3	0	0	4.57	0.555	7
Individual attention provided by bank	60	35	4	1	0	4.54	0.626	8
Interior of bank have neat & convenient environment.	54	46	0	0	0	4.54	0.501	9
Convenient working hours	57	35	4	1	0	4.48	0.674	10
Looks attractive from outside	25	60	15	0	0	4.1	0.628	11
Polite and courteous staff	24	60	16	0	0	4.08	0.631	12
Prompt Service	23	56	17	3	1	3.97	0.784	13
Understands my needs and make me feel important	42	32	10	9	7	3.93	1.233	14
Feel good being associated with bank	35	37	11	11	6	3.84	1.195	15
Provide services for best of my interest.	18	40	24	16	2	3.56	1.028	16
Easy availability of ATM Machines	14	28	25	16	7	3.26	1.107	17
Staff well equipped with knowledge on required services	11	40	21	19	9	3.25	1.158	18
Provide service at right time.	13	27	37	15	8	3.22	1.106	19
Bank provide services as per my need	13	22	31	17	17	2.97	1.267	20
Provide customized services	6	16	52	21	5	2.97	0.904	21
Handling Transactions accurately	6	16	52	21	5	2.97	0.904	22
Show sincere interest in solving my problems.	5	17	52	21	5	2.96	0.887	23
Insist on error free record.	6	16	51	22	5	2.96	0.909	24
Clear Terms & conditions	8	16	35	31	10	2.81	1.08	25
Delivering services as per promise.	2	3	25	40	30	2.07	0.924	26

The table2 above shows that the customers have been found agreeing 18 variables as having greatest influence i.e. Feeling Secure while dealing with bank, One stop shop for all my financial needs, Individual attention provided by bank, Convenient working hours, Convenient location of premises, Easy availability of ATM Machines, Internet banking & Tele banking facilities are available, Looks attractive from outside, Interior of bank have neat & convenient environment, Availability of modern equipments, Provide services for best of my interest, Updating me with latest schemes and offers, Providing most competitive rate of interest on loans & deposits, Feel good being associated with bank, Prompt Service, Polite and courteous staff, Understands my needs and make me feel important, Bank provides services as per my need. Provide customized services, Clear Terms & conditions, Handling Transactions accurately, Show sincere interest in solving my problems, Provide service at right time, Insist on error free record; Staff well equipped with knowledge on required services are the seven variables having an indifferent influence Delivering services as per promise is the only variable having least influence as regards their expectation towards services availed from public

banks.

### C. Comparative Analysis of the variables influencing the decision of customers regarding services availed from public banks vis a vis private banks

This section explores whether there is any significant difference in the perception of respondents regarding the variables influencing their decision regarding services availed from public banks vis a vis private banks. So, the hypothesis to be tested here is:

**H<sub>0a</sub>: There is no significant difference among the variables influencing the decision of customers regarding services availed from public banks vis a vis private banks**

Z-statistics reveal that there are significant differences in the variables influencing the decision of customers regarding services availed from public banks vis a vis private banks. Table 3 shows that in computing the difference between variables, customers were found agreeing to Availability of modern equipments as highest influencing variable and Delivering services as per promise as the least influencing variable as regards their

expectation towards services availed from private banks which is a contrast to the results achieved from responses of public bank customers where customers put clear terms and conditions as the

most important variable and Updating me with latest schemes and offers as the least important variable.

**Table 3: Comparative Analysis of perception of customers towards variables for services availed from public banks vis private banks**

Variables	Levene's test for equality of variances		Assumption Equal variances Assumed (EVA) /Equal Variances not Assumed (EVNA)	T-test		Null Hypothesis Accepted/ Rejected
	F-value	Sig.		T-value	Sig.	
Feeling Secure while dealing with bank	5.023	.026	FVNA	3.71	0.000***	Rejected
Clear Terms & conditions	14.177	.000	FVNA	12.30	0.000***	Rejected
Bank provide services as per my need	0.576	.449	EVA	4.75	0.000***	Rejected
One stop shop for all my financial needs	24.414	.000	LVNA	7.19	0.000***	Rejected
Individual attention provided by bank	14.780	.000	FVNA	6.75	0.000***	Rejected
Convenient working hours	20.075	.000	FVNA	11.29	0.000***	Rejected
Convenient location of premises	29.772	.000	FVNA	5.69	0.000***	Rejected
Easy availability of ATM Machines	0.172	.679	FVA	4.04	0.000***	Rejected
Internet banking & Tele banking facilities are available	25.087	.000	EVNA	18.99	0.000***	Rejected
Looks attractive from outside	29.487	.000	LVNA	13.37	0.000***	Rejected
Interior of bank have neat & convenient environment.	37.046	.000	LVNA	10.25	0.000***	Rejected
Availability of modern equipments.	28.890	.000	LVNA	17.55	0.000***	Rejected
Delivering services as per promise.	0.007	.782	FVA	18.20	0.000***	Rejected
Provide customized services	20.411	.000	EVNA	5.46	0.000***	Rejected
Provide services for best of my interest.	11.462	.001	EVNA	6.14	0.000***	Rejected
Updating me with latest schemes and offers	11.413	.001	LVNA	36.62	0.000***	Rejected
Providing most competitive rate of interest on loans & deposits	38.438	.000	FVNA	9.68	0.000***	Rejected
Feel good being associated with bank	0.479	.490	FVA	6.80	0.000***	Rejected
Prompt Service	21.463	.000	LVNA	5.64	0.000***	Rejected
Handling Transactions accurately	4.338	.039	LVNA	8.05	0.000***	Rejected
Show sincere interest in solving my problems.	25.106	.000	LVNA	4.71	0.000***	Rejected
Provide service at right time.	3.330	.070	EVNA	6.52	0.000***	Rejected
Insist on error free record.	4.162	.043	LVNA	5.65	0.000***	Rejected
Polite and courteous staff	31.722	.000	EVNA	.76	0.443	Accepted
Staff well equipped with knowledge on required services	0.176	.675	EVA	1.54	0.123	Accepted
Understands my needs and make me feel important	19.121	.000	LVNA	14.18	0.000***	Rejected

Significant (p<0.10), \*\*Significant (p<0.05), \*\*\*Significant (p<0.01)

Z- Statistics reveal that statistically significant differences exist about 24 variables out of 26 variables. Hence, for these 24 variables i.e. Feeling Secure while dealing with bank, Clear Terms & conditions , Bank provide services as per my need, One stop shop for all my financial needs, Individual attention provided by bank, Convenient location of premises, Convenient working hours, Easy availability of ATM Machines, Internet banking & Tele banking facilities are available, Looks attractive from outside, Interior of bank have neat & convenient environment, Availability of modern equipments, Delivering services as per promise., Provide customized services, Provide services for best of my interest, Updating me with latest schemes and offers, Providing most competitive rate of interest on loans & deposits, Feel good being associated with bank, Prompt Service, Handling

Transactions accurately, Show sincere interest in solving my problems, Provide service at right time, Understands my needs and make me feel important, Insist on free record the null hypothesis i.e. “There is no significant difference among the variables influencing the decision of customers regarding services availed from public banks vis a vis private banks” is rejected.

However, for 2 variables i.e. Polite and courteous staff, Staff well equipped with knowledge on required services; the null hypothesis is accepted i.e. such variables have same influence regarding services availed from public banks Vis a Vis private banks.

**Implications and conclusions**

Indian banking system is clearly divided into two heads- Public and private Banks. Both these institutions are competing in same

market with more or less same resources. The present study reveals that private banks need to work on gaining faith of customers. A customer feeling of being secure while dealing with their bank and trusting given terms and conditions is still tough for private banks. Private Banks are comparatively younger in Indian financial system and they don't carry the hierarchical trust that public sectors banks have. Therefore they need to make their working lot more transparent to with the customer's faith. On technology point of view customers are far more satisfied with them viz a viz public bank. Public banks need to upgrade themselves on war footing in order to survive in market. From the survey it is clear that upgrading not only include technology but also their premises and outlook. They need to make customers feel important and give them latest knowledge. Though Public banks can sit on their past laurels but not for long. The demand of ultra competitive market is making both public sectors banks and their staff techno savvy.

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